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SUBJECT: AMBASSADOR'S MEETING WITH AGRICULTURE MINISTER
PROELL

Summary

1. (SBU) During Ambassador McCaw's March 6 introductory call on Austrian Minister of Agriculture and Environment Josef Proell, Proell called for additional progress on NAMA and services in the WTO negotiations, before the EU would make concessions on agricultural market access. Proell touted the April 4-6 Coexistence Conference, hosted by the European Commission and his ministry, as a starting point for developing EU-wide rules on coexistence. Given differing opinions between many member state researchers and the European Food Safety Agency (EFSA), Proell maintained that EFSA should work towards a common EU view on particular GMOs. Proell admitted that Austria might eventually have to give up its national GMO prohibitions in light of the anticipated WTO ruling against the EU. However, with national elections due this fall, Proell predicted there would be no movement on this issue until after the elections. According to Proell, the appearance of avian flu in Austria has cut poultry production by 20 percent for many farmers and poultry consumption by 40 percent. Proell highlighted Austria's efforts to increase the percentage of bio-fuels in the overall fuel mix from three percent to 7-8 percent in the next several years. End summary

WTO Negotiations

2. (SBU) During a March 6 meeting with Ambassador McCaw, Minister of Agriculture and Environment Josef Proell reiterated the GoA position that negotiators need to make progress on NAMA and services before the EU can make concessions on agricultural market access. Proell conceded negotiations will be difficult. Proell candidly admitted that Austrian farmers cannot compete with U.S., Brazilian, or even Hungarian and Czech farmers. According to Proell, the average Austrian farm is 16 hectares and 70 percent of farmers live in mountainous areas. Proell claimed that, without subsidies, most Austrian farmers would go out of business. Regarding the EU's agricultural spending, Proell insisted that the figures are misleading: although agricultural spending represents 40 percent of the EU's budget, this is only two percent of the member states' total budgets.

Biotechnology

3. (SBU) Proell pointed out that approximately 700 scientists, farmers and government officials will attend the April 4-6 Coexistence Conference sponsored by the European

Commission and the Ministry of Agriculture and Environment. Proell said he views the conference as a starting point for the EU to develop common coexistence rules, although he conceded that the actual formulation of common rules will not occur during the Austrian Presidency.

¶4. (SBU) Proell reiterated his desire to maintain GMO-free zones for crop cultivation in Austria. Proell noted that Austrian dairy farms import grains from Argentina and Brazil, estimating that 70 percent of these imports are GMOs. Proell stressed that what Austrians really opposed was planting biotech seeds.

¶5. (SBU) Proell emphasized that disagreements among scientists on the evidence is the main reason why Austria opposes biotechnology. He said the European Food Safety Agency (EFSA) should encourage the multitude of researchers to develop a common EU view on particular crops. Proell added that differences of opinion between EFSA and member state researchers complicate the process. The GoA will present further ideas on this subject to the EU Environmental Council.

¶6. (SBU) Commenting on the anticipated WTO decision against the EU moratorium on new approvals, Proell conceded that Austria might ultimately have to give up its national GMO prohibitions. However, he stressed that the GoA would stand pat until the WTO issues its final report. Proell added that the GoA would most probably not move to modify its current system until after national elections this autumn.

Avian Flu

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¶7. (SBU) Noting that the Ministry of Health has the GoA lead on avian flu, Proell opined that an outbreak might have serious political consequences, if there is a perception that the government is mishandling the issue. Currently, farmers must house poultry indoors until mid-April. According to Proell, this requirement is problematic, because farmers had been encouraged not to house poultry under new EU animal welfare legislation. This decision has imposed huge financial costs on poultry farmers. Many farmers have lost 20 percent of their production and the industry is suffering from a 40 percent decline in poultry consumption. Proell said the GoA is considering subsidizing the farmers for these losses.

Bio-fuels

¶8. (SBU) Proell noted that Austria will open a new bio-ethanol plant in 2006. Three percent of Austrian fuels are already bio-diesel. Proell expects that over the next several years the bio-diesel percentage will rise to 7-8 percent. Asked whether Austria might use biotech crops for bio-fuels, Proell admitted that it would be an easier concept to sell to the Austrian public than biotech foods for human consumption. Nonetheless, Proell repeated that it would be critical to address the coexistence issue.

MCCAW